

**STATEMENT OF PROCEEDINGS FOR THE SPECIAL MEETING OF THE  
CITY OF MONTEBELLO OVERSIGHT BOARD**

**CITY OF MONTEBELLO  
CITY COUNCIL CHAMBERS  
1600 WEST BEVERLY BOULEVARD  
MONTEBELLO, CALIFORNIA 90640**

**Wednesday, November 13, 2013**

**8:15 a.m.**

AUDIO LINK FOR THE ENTIRE MEETING. (13-5442)

**Attachments:**    [Audio](#)

**I. CALL TO ORDER**

**Chair Bruckner called the meeting to order at 8:25 a.m.**

**II. ROLL CALL**

**Ivonne Evelyn Umana, Oversight Board Staff, called the roll:**

**Present:**        **Board Members Angel F. Barnuevo, Edgar Cisneros,  
Denise Hagopian, Cheryl A. Plotkin, Vice Chair Ernesto  
Hidalgo and Chair Richard Bruckner**

**Vacancies:**    **Community College Appointee**

**III. STAFF COMMUNICATIONS**

This time is set aside for Successor Agency staff to update the Board on important items initiated by staff or previously requested by the Oversight Board.

**There were none.**

**IV. RECOMMENDATIONS**

1. Consideration of a Resolution of the Montebello Oversight Board Approving the February 1, 2012, Transfer of \$11,024,720 in "Housing Assets" from the Montebello Successor Agency to the City of Montebello as Housing Successor, and Reinforcing its Approval of \$2,504,620 in the Low and Moderate Income Housing Fund (LMIHF) Cash Expenditures on the Recognized Obligation Payment Schedule for the period of January 1, 2013 through June 30, 2013 (ROPS III) Towards Housing Bond Indebtedness. (13-5294)

**Christopher Cardinale, Successor Agency Legal Counsel, presented a staff report, provided a history of the Housing Assets as outlined in the draft resolution, and responded to questions posed by the Oversight Board.**

**Mark Huebsch, Oversight Board Legal Counsel, requested clarification pertaining to the \$8,956,665: What the nature of that money is? What is its current disposition? Why would that particular fund come back? Moreover, why would the Successor Agency/Housing Successor Agency is entitled to receive those funds post finding of completion? Mr. Cardinale responded that his understanding pertaining to the money is that they are Supplemental Education Revenue Augmentation Fund deferral, which was due in the Low and Moderate Income Housing Fund (LMIHF) as of the day of the dissolution. Mr. Cardinale further clarified that the Dissolution Law qualifies these amounts as housing assets, and as enforceable obligations. However, their repayment was delayed under the law, repayment commences either with the 2014-15 year or upon Finding of Completion. The repayment scheduled is subject to the approval of the Oversight Board. The payment will go back to the City of Montebello (City) , which the City would have to use those monies for LMIHF purposes. Francesca Tucker-Schuyler, City Administrator, also added that the amount also includes housing deferral from the former Redevelopment Agency.**

**Chair Bruckner commented that the last ten years there was specific State law authorizing communities to delay payments until LMIHF, which created the debt. He then informed the Oversight Board that he requested Oversight Board Legal Counsel to review the resolutions.**

**Mr. Huebsch suggested the following revisions to the document entitled, "A Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the February 1, 2012 Transfer of Certain Housing Assets from the Successor Agency to the City of Montebello as Housing Successor":**

- Third recital, add: ... Agency's "housing successor: (in such capacity, "Housing Successor"), and thereby...;
- Fourth recital, add: ...WHEREAS, the Successor Agency has indicated that as of its date of dissolution,...;
- Fifth recital, add: WHEREAS, the Successor Agency has indicated that on or about December 20, 2012...;
- Sixth recital, add: WHEREAS the Successor Agency has indicated that the remaining LMIHF cash...;
- Tenth recital, add and delete: WHEREAS, ~~the Dissolution Act authorizes~~ Successor Agency staff has informed the Oversight Board that the State Controller's Office to review asset transfers between the Agency and City occurring between January 1, 2011, and the date of the Agency's dissolution (Health and Safety Code Section 34167.5);
- Eleventh recital, delete and add to the Tenth recital: ~~WHEREAS, pursuant to its audit authority, the State Controller's Office has questioned the transfer...;~~
- Twelfth recital, add: ...Oversight Board approval or consent for the February 1, 2012 transfer...;
- Thirteenth recital, delete and add: ~~WHEREAS, in additional, the Successor Agency desires the Oversight Board ratify use of the former Agency's LMIHF cash to make payments on approved "enforceable obligations" or ROPS III; and~~ the Oversight Board has considered staff presentations, reports, discussions and public comments and other evidence presented;
- Section 1 - delete entire paragraph;
- Section 2, change to Section 1, and delete and add: ~~The Oversight Board finds and declares that the requirements of Health & Safety Code Section 34181(f) have been satisfied, in that the Oversight Board has held a public meeting to consider~~ approves and consents to the transfer of the Non-Cash Housing Assets of the former Agency to the Housing Successor and ~~ratification~~ ratifies of the use of LMIHF cash on enforceable obligations on ROPS III, ~~ten (10) days advanced public notice of said meeting was provided, and members of the public have been given an opportunity to comment on such matters;~~
- Section 3, change to Section 2;
- Section 4, change to Section 3, and delete and add: ...and such expenditure ~~was~~ shall be deemed approved by the Oversight Board and Finance, ~~and was appropriate under the Dissolution Act;~~
- Section 5, change to Section 4, and delete: ... review by the Department of Finance ~~pursuant to Health & Safety Code Section 34181(f); and~~
- Section 6, change to Section 5

**Mr. Cardinale said that he and the Successor Agency have no objections to the changes as outlined by the Oversight Board Legal Counsel, and commented that they are fair representations of the Oversight Board making decisions based upon presentations made by the Successor Agency and the information provided.**

**On motion of Board Member Plotkin, seconded by Board Member Hagopian, duly carried by the following vote, the Oversight Board approved the Oversight Board's Legal Counsel's suggested revisions to the resolution; and adopted the amended "Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the February 1, 2012 Transfer of Certain Housing Assets from the Successor Agency to the City of Montebello as Housing Successor":**

**Ayes:** 6 - Board Members Barnuevo, Cisneros, Hagopian, Plotkin, Vice Chair Hidalgo and Chair Bruckner

**Vacancies:** 1 - Community College Appointee

**Attachments:** [Staff Report for Agenda Item Nos. 1, 2, and 3](#)  
[Supporting Document for Agenda Item Nos. 1, 2, and 3](#)  
[Draft Resolution - Housing Asset Transfers](#)  
[Draft Resolution - Redemption Payment](#)  
[Draft Resolution - Prepayment Agreement](#)  
[Memo from FirstSouthwest Dated May 6, 2011](#)  
[Final Executed Resolutions](#)

2. Consideration of a Resolution of the Montebello Oversight Board approving the January 4, 2011 Redemption Payment Relating to the Montebello Economic Revitalization Project 1993 Tax Allocation Bonds, Made from the Former Community Redevelopment Agency of the City of Montebello to the City of Montebello. (13-5296)

**Christopher Cardinale, Successor Agency Legal Counsel, presented a staff report, reviewed the history of the redemption payment as outlined by the draft resolution, and responded to questions posed by the Oversight Board.**

**Chair Bruckner inquired if this item was included in the Recognized Obligation Payment Schedule (ROPS). Mr. Cardinale advised that it was not, as this transaction occurred pre – ROPS.**

**Mark Huebsch, Oversight Board Legal Counsel, commented that Mr. Cardinale presented the issue fairly; Mr. Huebsch reiterated that the issue is cash moved after January 1, 2011, and the authorization for the cash to move occurred in December 2010. He further added that had the cash moved during 2010, there would have been presumably no comment by the State Controller's Office.**

**Board Member Cisneros inquired if this is the only agreement of this type that the City and former Redevelopment Agency have. Mr. Cardinale responded that this is the only Bond agreement between the two agencies.**

**Mr. Huebsch proceeded to make the following suggested revisions to the document entitled, "A Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the January 4, 2011 Redemption Payment Relating to the Montebello Economic Revitalization Project 1993 Tax Allocation Bonds, Made from the Former Community Redevelopment Agency of the City of Montebello to the City of Montebello":**

- **Second recital, add and delete: WHEREAS, the Successor Agency has indicated that the Bonds were purchased by the City of Montebello ("City") on the open market, and were scheduled to mature on June 1, 2012, ~~provided that the City had an optional right to redeem the Bonds on any date at a price equal to the then-principal balance plus interest accrued 2011;~~**

- Third recital, add and delete: WHEREAS, on December 8, 2010, redemption of the Bonds was approved the City redeemed the Bonds pursuant to its redemption right Bonds were redeemed consistent with the authorizing indenture (with the consent of the approval of the City as holder of all of the Bonds), the Agency approved the requisite redemption payment in the amount of \$5,042,436, and the payment was subsequently processed on January 4, 2012 2011 ("Redemption Payment");
- Fourth recital, add: WHEREAS, the Successor Agency has indicated that the Redemption Payment saved the Agency approximately \$856,260 in debt service payments on the Bonds that otherwise would have been due had they Bonds fully matured, and the calculations regarding such savings have been provided by the Successor Agency to the Oversight Board
- Ninth recital, add and delete: WHEREAS, the Successor Agency has indicated that the State Controller's Office, pursuant to its audit authority, ~~the State Controller's Office~~ has questioned the propriety of the Redemption Payment...
- Section 2, delete: ...Oversight Board has held a public meeting to consider its approval of the Redemption Payment. ~~, ten (10) days advanced public notice of said meeting was provided, and members of the public have been given an opportunity to comment on the Redemption Payment.~~

Mr. Cardinale, and the Successor Agency have no objections to the changes as outlined by the Oversight Board Legal Counsel.

On motion of Board Member Plotkin, seconded by Board Member Hagopian, duly carried by the following vote, the Oversight Board approved the Oversight Board's Legal Counsel's suggested revisions to the resolution; and adopted the amended "Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the January 4, 2011 Redemption Payment Relating to the Montebello Economic Revitalization Project 1993 Tax Allocation Bonds, Made from the Former Community Redevelopment Agency of the City of Montebello to the City of Montebello":

**Ayes:** 6 - Board Members Barnuevo, Cisneros, Hagopian, Plotkin, Vice Chair Hidalgo and Chair Bruckner

**Vacancies:** 1 - Community College Appointee

3. Consideration of a Resolution approving the May 11, 2011, Prepayment Agreement and Partial Satisfaction Agreement between the Former Community Redevelopment Agency of the City of Montebello and the City of Montebello. (13-5297)

**Christopher Cardinale, Successor Agency Legal Counsel, presented a staff report, review the history of the May 11, 2011 prepayment and partial satisfaction agreements outlined by the draft resolution, and responded to questions posed by the Oversight Board.**

**Chair Bruckner requested an explanation on the selection of the discount rate, and commented that the discount rate was low which is very important to the credit to the agency. Francesca Tucker-Schuyler, City Administrator, responded that the discount rate was recommended to the City of Montebello (City) by its financial advisor, FirstSouthwest, as well as the Bondholder.**

**Chair Bruckner noted that the Federal rate at that time was 4%, wherein the difference in credit was almost \$2.0 million, and questioned the justification for using a rate less than the Federal fund rate. Ms. Schuyler responded that the information requested can be obtained, and requested from the Oversight Board if they can recessed for ten minutes to allow the Successor Agency to obtain the additional information.**

**By Common Consent, there being no objection (Community College Appointee being vacant), the Oversight Board recessed for ten minutes at 9:09 a.m. to provide the Successor Agency to obtain additional information to respond to Chair Bruckner's inquiry on the justification for using a rate less than the Federal fund rate.**

**The meeting reconvened at 9:18 a.m. to continue discussion on Agenda Item No. 3**

**Ms. Schuyler provided to the Oversight Board a hard copy of a memo dated May 6, 2011 from Michael Kremer, Senior Vice President, FirstSouthwest, A PlainsCapital Company, and addressed Chair Bruckner's inquiry by relaying that the Federal rate is a snapshot of the interest rate at that time. She further added that the City, as a municipality, would issue any bonds or refinance at tax exempt rates, and that the government rate would actually have been lower than the Federal rate at that time. Therefore, the discount is the industry's standard for tax-exempt issuance, which is anywhere between 65% and 75%. Chair Bruckner noted Ms. Schuyler's response, and commented that 67% provides a rationale for why the City went from 100% to 67%.**

Mr. Cardinale requested that the memo from FirstSouthwest, dated May 6, 2011, be made part of the record.

Chair Bruckner requested the Oversight Board Staff to include the memo for the record and noted in the minutes.

Mr. Huebsch suggested the following revisions to the document entitled, "A Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the May 11, 2011 Prepayment and Partial Satisfaction Agreement Between the Former Community Redevelopment Agency of the City of Montebello and the City of Montebello":

- First recital, add and delete: WHEREAS, the Successor Agency of the former Community Redevelopment Agency of the City of Montebello (Successor Agency") has provided documentation indicating that in 2000, the City of Montebello ("City") and the Montebello Public Improvement Corporation issued the executed and delivered its 2000 Certificates of Participation ("COPs"), which were secured in part by the promise of the City of Montebello ("City") to make lease payments, to fund certain capital improvements of benefit to the project areas of the Community Redevelopment Agency of the City of Montebello ("Agency");
- Second recital, add: WHEREAS, the Successor Agency has indicated that contemporaneous with issuance...
- Third recital, add and delete: WHEREAS, the Successor Agency has indicated that on June 14, 2010, the Agency and City executed a Loan Agreement by which states that the Agency was extended extending an \$8 million line of credit for the City's use in maintaining essential services of benefit to the Agency's project areas;
- Fourth recital, add: WHEREAS, the Successor Agency has indicated that on September 22, 2010;
- Ninth recital, add: WHEREAS, the Successor Agency has indicated that the Prepayment Agreement saved the Agency approximately \$4 million in debt service interest payments over the life of the COPs, and the calculations regarding such savings have been provided by the Successor Agency to the Oversight Board;
- Thirteenth recital, add: ...Department of Finance ("Finance") as an enforceable obligation including in connection with submittals of recognized obligation payment schedules;
- Fourteenth recital, add: ... November 1, 2026, and the Successor Agency will not have to make the payments thereon, using property tax revenues, in annual installments...



- Fifteenth recital, add: WHEREAS, the Successor Agency has indicated that the Prepayment Agreement ...;
- Sixteenth recital, delete entire paragraph
- Eighteenth recital, add and delete: WHEREAS, the Successor Agency has indicated that the State Controller's Office pursuant to its audit authority, the State Controller's Office has questioned the Prepayment Agreement, but has indicated that if the Oversight Board approves the Prepayment Agreement the State Controller's Office will not no longer question the transaction;
- Add a recital (Nineteenth) after the Eighteenth recital: WHEREAS, the Oversight Board has considered staff presentations, reports, discussions and public comments and other evidence presented; and
- Twentieth recital, delete: ... COPs to the direct benefit of the taxing entities, significantly shortens the Agency's long-term debt obligations, and such approval will be consistent with the findings of the DDR and judgment in the ~~All Persons Case~~.
- Section 1, delete entire paragraph;
- Section 2, delete entire paragraph;
- Section 3, change to Section 1 and add and delete: The Oversight Board finds and declares that approval of the Prepayment Agreement will result in a net benefit to the taxing entities, will significantly shorten the Agency's long-term debt obligations, and will be consistent with findings made by Finance on the DDR and in the ~~All Persons Case~~, and therefore approves the Prepayment in accordance with subdivision (a) of Health & Safety Code Section 34181, and subdivision (h) of Health & Safety Code Section 34181 Agreement.
- Section 4, change to Section 2, and delete: ...and this Resolution and the actions approved hereby shall be subject to review by the Department of Finance pursuant to Health & Safety Code Section 34181(f); and
- Section 5, change to Section 3.

Mr. Cardinale indicated that he and the Successor Agency have no objections to the changes as outlined by the Oversight Board Legal Counsel.

Board Member Hagopian inquired if the State Controller's Office (SCO) has somewhere in writing indicating that they would honor the Oversight Board's decision. Ms. Schuyler responded that based on a telephone conference with the SCO, it was relayed that these matters must be taken before the Oversight Board for review and approval. By these actions, that City has taken corrective measures.

Board Member Hagopian addressed both Counsels if there can be any language within the resolution that SCO can no question the transaction. Mr. Cardinale addressed Board Member Hagopian's concern indicating that the document is worded in what the SCO has requested from the Successor Agency and that the Successor Agency made its presentation complying with their request. Ms. Schuyler added that once the SCO makes its determination it would be reported to the Oversight Board.

On motion of Board Member Plotkin, seconded by Board Member Barnuevo, duly carried by the following vote, the Oversight Board approved the Oversight Board's Legal Counsel's suggested revisions to the resolution; and adopted the amended "Resolution of the Oversight Board to the Successor Agency to the Former Community Redevelopment Agency of the City of Montebello Approving the May 11, 2011 Prepayment and Partial Satisfaction Agreement Between the Former Community Redevelopment Agency of the City of Montebello and the City of Montebello":

**Ayes:** 6 - Board Member Barnuevo, Board Member Cisneros, Board Member Hagopian, Board Member Plotkin, Vice Chair Hidalgo and Chair Bruckner

**Vacancies:** 1 - Community College Appointee

4. Recommendation: Cancel the December 4, 2013 and January 1, 2014 Oversight Board meetings. (13-5307)

On motion of Board Member Cisneros, seconded by Vice Chair Hidalgo, unanimously carried (Community College Appointee being absent), the Oversight Board cancelled the regular meetings of December 4, 2013 and January 2, 2014.

**V. MISCELLANEOUS**

5. Matters not on the posted agenda (to be presented and placed on the agenda of a future meeting). (13-5259)

**There were none.**

6. Public Comment. (13-5260)

**Tom Dutcher, member of the public, addressed the Oversight Board inquiring on the property located on Whittier Boulevard and 6th Street. Chair Bruckner and Francesca Tucker-Schuyler, City Administrator, addressed Mr. Dutcher's concern and informed that the property would be held for future development as Low and Moderate Income Housing.**

7. Adjournment. (13-5262)

**The meeting adjourned at 9:35 a.m. The next regular meeting is scheduled for February 5, 2014.**